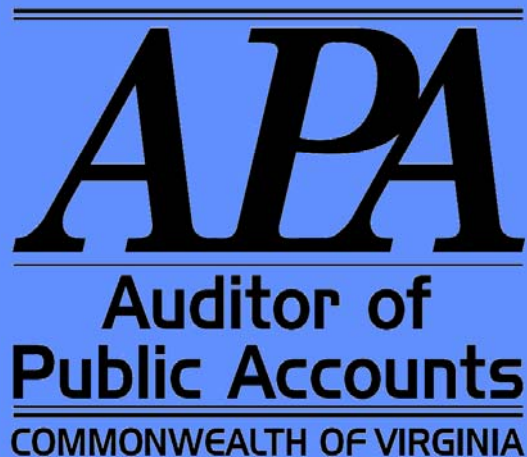


DEPARTMENT OF LABOR AND INDUSTRY

**REPORT ON AUDIT
FOR THE YEARS ENDED
JUNE 30, 2008 AND JUNE 30, 2009**



AUDIT SUMMARY

Our audit of the Department of Labor and Industry found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no matters involving internal control and its operations necessary to bring to management's attention; and
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

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AGENCY HIGHLIGHTS

The Department of Labor and Industry (Department) promotes safe, healthful workplaces, best employment practices, job training opportunities through registered apprenticeship, the protection of children from hazardous employment, and safe operation of boiler and pressure vessel devices through the following programs:

Virginia Occupational Safety and Health (VOSH) Programs

This program seeks to ensure safer workplaces for employees through the following programs.

Occupational Safety and Health Compliance (VOSH Enforcement) - ensures that employers comply with Virginia's regulations through worksite inspections and citation, compliance assistance, and response to reports of unsafe conditions. Businesses with exemplary safety and health programs can receive an exemption from periodic inspections under the Virginia Voluntary Protection Program. VOSH Enforcement also issues permits for lead and asbestos removal projects and administers laws affecting the discharge of these substances.

Occupational Safety and Health Consultation - helps employers better understand safety and health regulations and reduce recognized workplace hazards through walk-through surveys, hazard abatement, and safety and health training program development assistance. The program allows employers to make corrections to potential hazards or violations voluntarily and without citations or penalties. Departmental staff also trains employers to identify and correct hazards.

Boiler and Pressure Vessel Safety Program - certifies and oversees private inspections for boilers and pressure vessels in workplaces, apartments, and all other establishments open to the public. They also oversee their installation, operation, and repair.

Labor and Employment Law Division – enforces the Commonwealth's Child Labor Laws and regulations to protect all minor workers in the state. Additionally, the Division works to ensure the rights of all employees and enforces the payment of wage law. The Division enforces these laws through a process of investigations and hearings or legal proceedings.

Registered Apprenticeship Program - helps employers expand their workforce through a combination of on-the-job training and related classroom instruction. There are approximately 2,000 Virginia businesses participating in this program, which serves over 14,000 apprentices

FINANCIAL HIGHLIGHTS

The Department receives funding from General Fund appropriations, federal grants, and fines and fees collected through agency programs. Fee revenues come from various fees paid to the Department, which include asbestos project permit fees, lead project permit fees, and registration fees for workshops. The Department also receives federal revenue from the recovery of the indirect costs associated with agency federal grants from the U.S. Department of Labor.

The following table shows the Department's original budget, final budget, and actual expenses for fiscal years 2008 and 2009. The Department received total resources of approximately \$14.2 million in fiscal year 2009 and \$14.6 million in fiscal year 2008. The increase from original to final budget for 2008 relates to a General Fund increase for salary and benefit increases and increased VITA costs.

Analysis of Budgeted and Actual Expenses Fiscal Years Ended June 30, 2008 and June 30, 2009

	<u>2009</u>			<u>2008</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenses</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenses</u>
General Fund	\$ 8,458,204	\$ 8,164,008	\$ 8,072,719	\$ 8,002,206	\$ 8,689,977	\$ 8,604,977
Special Revenue						
Fund	1,110,781	1,110,781	721,152	1,061,361	1,061,361	800,514
Federal	<u>4,900,901</u>	<u>4,900,901</u>	<u>4,178,972</u>	<u>4,900,901</u>	<u>4,900,901</u>	<u>4,538,559</u>
Total	<u>\$14,469,886</u>	<u>\$14,175,690</u>	<u>\$12,972,843</u>	<u>\$13,964,468</u>	<u>\$14,652,239</u>	<u>\$13,944,050</u>

Source: Commonwealth Accounting and Reporting System

The table below summarizes the Department's expenses by major object for fiscal years 2008 and 2009. Personnel expenses account for \$10.2 million, or 79 percent, of fiscal year 2009 expenses. The majority of the remaining expenses are for contractual services (eight percent) and continuous charges (seven percent). Contractual Services are primarily payments to VITA for IT services and travel expenses. The continuous charges are rent for headquarters, four field, and four regional offices that administer agency programs.

Analysis of Actual Expenses by Major Object Fiscal Years Ended June 30, 2008 and June 30, 2009

	<u>Fiscal Year</u>	
	<u>2009</u>	<u>2008</u>
Continuous Charges	\$908,635	\$886,459
Contractual Services	1,083,008	1,533,305
Equipment	83,242	108,902
Personal Services	10,230,272	10,700,691
Supplies and Materials	104,336	108,400
Transfer Payments	<u>563,350</u>	<u>606,293</u>
Total	<u>\$12,972,843</u>	<u>\$13,944,050</u>

Source: Commonwealth Accounting and Reporting System

Currently, the Department has five programs corresponding to its organizational structure and activities. The programs are Regulation of Individual Safety, Administrative and Support Services, Economic Development Services, Regulation of Business Practices, and Regulation of Structure Safety. Two programs, Regulation of Individual Safety and Administrative and Support Services accounted for approximately 84 percent of the Department's expenses. The majority of the costs related to the Regulation of Individual Safety Program are personnel costs in administering the health and safety programs. The table below details the Department's actual expenses by program.

Analysis of Actual Expenses by Program-Fiscal Year 2009

<u>Program</u>	<u>Expenses</u>	<u>Percent of Total Expenses</u>
Economic Development Services (534)	\$ 926,629	7.14%
Regulation of Business Practices (552)	697,502	5.38%
Regulation of Individual Safety (555)	7,666,924	59.10%
Regulation of Structure Safety (562)	460,314	3.55%
Administrative and Support Services (599)	<u>3,221,474</u>	<u>24.83%</u>
Total	<u>\$12,972,843</u>	<u>100%</u>

Source: Commonwealth Accounting and Reporting System



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

October 26, 2009

The Honorable Timothy M. Kaine
Governor of Virginia

The Honorable M. Kirkland Cox
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the **Department of Labor and Industry** for the years ended June 30, 2009 and 2008. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Department's internal controls, test compliance with applicable laws and regulations, and review corrective actions of audit findings from prior year reports.

Audit Scope and Methodology

The Department of Labor and Industry's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Revenues
Expenses, including Payroll

We performed audit tests to determine whether the Department's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Department's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

Audit Conclusions

We found that the Department of Labor and Industry properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Department records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Exit Conference and Report Distribution

We discussed this report with management on November 2, 2009.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

AWP/clj

DEPARTMENT OF LABOR AND INDUSTRY

Patrick O. Gottschalk
Secretary of Commerce and Trade

C. Ray Davenport
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Edward A. Hegamyer
Assistant Commissioner

Nancy M. Sanders
Accounting and Finance Director